

**FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON THE
INDIANA COMPREHENSIVE HEALTH
INSURANCE ASSOCIATION**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789**

November, 1999

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1999

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation directing the Committee to do the following:

Study the following issues related to the Indiana Comprehensive Health Insurance Association (ICHIA) established under

IC 27-8-10:

- (A) Borrowing from financial institutions to provide working capital.
- (B) Premium rates, including:
 - (i) a maximum premium rate or range for premium rates;
 - (ii) consideration of health maintenance organization premiums in rate determination;
 - (iii) annual premium rate determination and adjustment; and
 - (iv) a policy providing for reduced premium rates for insureds who have Medicare coverage.
- (C) The effect of Medicaid eligibility on eligibility for coverage under an ICHIA policy.
- (D) A maximum total annual assessment to members, the remainder of the cost to be paid by the state.
- (E) Appeals procedures allowing members to:
 - (i) defer assessment payments for not more than one (1) year;
 - (ii) make assessment payments on a monthly or quarterly basis for cause;
 - or
 - (iii) reduce or suspend an assessment if payment would cause the member's net worth or reserves to decrease below statutory requirements.
- (F) Membership of self-insurance plans, including:
 - (i) conflicts with the federal Employee Retirement Income Security Act (29 U.S.C. 1001 et seq.); and
 - (ii) mechanisms for identifying self-insurance plans.
- (G) Periodic audits to ensure that all entities that assume risk for accident or sickness of individuals in Indiana are members for purposes of the annual assessment.
- (H) Penalties for late payment or nonpayment of assessments.
- (I) Strategies to increase the base of insured individuals and decrease costs.
- (J) Establishment of an independent administrative agency.

The Legislative Council also assigned the following additional responsibility to the Committee:

Study the magnitude of the health care problems arising as a result of uninsured and underinsured persons and evaluate the costs of potential solutions to this problem.

II. INTRODUCTION AND REASONS FOR STUDY

Current Indiana law provides that the ICHIA program is to be funded through client premiums and member assessments.

Following the close of the ICHIA program's fiscal year, ICHIA is to determine the net premiums, the expenses of administration, and the incurred losses for the year. Any net loss is assessed to all members (all carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana) in proportion to their respective shares of total health insurance premiums, excluding premiums for Medicaid contracts with the state of Indiana, received in Indiana during the calendar year. ICHIA may also provide for interim assessments against members if necessary to assure the financial capability of the association to meet the incurred or estimated claims expenses or operating expenses until the association's next fiscal year is completed. Members who have paid assessments may take a credit against premium taxes, gross income taxes, adjusted gross income taxes, supplemental corporate net income taxes, or any combination of these up to the amount of the assessment.

Premium rates for a given classification may not be more than 150% of the average premium rate for that class charged by the five carriers with the largest premium volume in the state during the preceding calendar year.

Some argue that assessments have grown to the point where the tax credits are not able to be fully claimed and that this funding mechanism is no longer equitable.

Regarding the additional topic assigned to the Committee, the original resolution states that inadequate health insurance interferes with a person's ability to meet health care needs and a significant number of Indiana citizens lack adequate health insurance. Consequently, this Committee has been asked to determine the magnitude of the health care problems arising as a result of uninsured and underinsured persons and to propose and evaluate potential solutions to these health care problems, including the estimated cost of proposed solutions.

III. SUMMARY OF WORK PROGRAM

This Committee is a two-year committee that expires November 1, 2000. This being the first year of the Committee, two meetings were held in 1999: September 14 and October 19.

At the first meeting, members learned of their charge and were provided an overview of the ICHIA program by the program administrator. The Committee received information about the high-risk pools operated in 26 other states and also received public testimony. It was determined that the issue to be considered by the Committee this interim would relate to the funding of the ICHIA program.

At the second and final meeting of the Committee, information was received on funding

patterns for high-risk pools in other states. Proposals for funding Indiana's program were also received. The Committee also heard public testimony and suggestions for legislation.

IV. SUMMARY OF TESTIMONY

Initial testimony was received describing the ICHIA program, its history, the client pool, and premium rates.

Most of the subsequent testimony and Committee discussion centered around the funding of the ICHIA program. Survey results of certain aspects of the high-risk pools operated in 26 other states was provided. Concerns were raised as to the fairness and equity of the current funding mechanisms and whether alternative mechanisms could be considered. Alternatives mentioned included assessments of third-party administrators, assessments of self-funded health plans, the relative contribution of premium collections and assessments on insurance carriers, and whether all existing carriers are being assessed. There was also discussion of how ERISA (Employee Retirement Income Security Act) and HIPAA (Health Insurance Portability and Accountability Act of 1996) impact on the funding options available to ICHIA. Testimony was also received concerning the premium rates for ICHIA policyholders who are also Medicare beneficiaries.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made no findings of fact.

The Committee made no recommendations.

WITNESS LIST

James Carr, ICHIA Policyholder
Rick Cockrum, Anthem
Philip Conklin, Philip Conklin and Associates
Sharron Gipson, Outsourced Administrative Systems, Inc.
Bruce Greenberg, Partners National Health Plans of Indiana, Inc.
Joy Long, Indiana Department of Insurance
Sally McCarty, Indiana Department of Insurance
Dan Seitz, Bose, McKinney, and Evans
Russell Shirlock, Outsourced Administrative Systems, Inc.